## What is a Federal Direct PLUS Loan?

This is one of the low-interest loans that make up the William D. Ford Federal Direct Loan Program (also known as "Direct Loans"). The Direct Loan Program enables students and parents to receive funds directly from the U.S. Department of Education to pay for education after high school. The Department is the lender, rather than a bank or credit union, and delivers loan proceeds through the student's school. Students and parents repay the Department.

A Division DIVIC I assessment

A Direct PLUS Loan enables parents of *dependent* students to borrow for their children's educations. A dependent student is one who does not meet any of the criteria for an independent student. An independent student is one of the following:

- at least 24 years old by December 31, 1996
- married
- a graduate or professional student
- > a veteran
- > an orphan
- > a ward of the court
- someone with legal dependents other than a spouse

If your child does **NOT** meet *any* of these criteria, you may apply for a Direct PLUS Loan for him or her.

### How do I apply?

Complete a combined application/ promissory note you can get from your child's school. (Your child also must complete a portion of the application.) Send the application to the school, which completes its part and forwards the application to be processed.

### How will I know if I'm eligible?

Generally, you're eligible

- if you don't have an adverse credit history (a credit check will be performed on your application)
- if you're not in default on a federal student loan (including Federal PLUS Loans)
- if you meet the other eligibility requirements outlined on your loan application

Even if you have an adverse credit history, you're eligible if someone with no adverse credit history agrees to endorse your loan (thus promising to repay it if you fail to do so), or if you can document to the U.S. Department of Education's satisfaction that you have extenuating circumstances. Also, if you're in default, you may still be eligible if you've made satisfactory repayment arrangements (defined as six consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable based on your total financial circumstances).

I've already borrowed a Federal PLUS Loan for my child under the Federal Family Education Loan (FFEL) Program. Can I still get a Direct PLUS Loan?

Yes, although usually you can't get both types of loans for the same enrollment period. There is an exception if your child is a transfer student. For example, if your child attended a school that offered only FFELs in the first semester and transferred in the second semester to a Direct Loan school, you could borrow a Direct PLUS Loan for your child's second semester.

### How much can I borrow?

You may borrow any amount up to the cost of your child's education minus any other financial aid he or she may receive. There is no borrowing limit based on a determination of your financial need. Note that an origination fee of 4 percent of the loan principal will be deducted proportionately from each loan disbursement.

#### What is the interest rate?

The interest rate is variable and is adjusted each year on July 1 but will never be higher than 9 percent.

Note that interest begins to accumulate on the date of the first loan disbursement.

### How will the loan be disbursed?

The loan will be disbursed in at least two payments and generally will be credited to the student's account for payment of tuition and other school charges. Any leftover funds will be paid to you by check or, with your written permission, either left in the student's account or paid directly to the student.

## When do I begin repayment?

The repayment period begins on the day after the loan is **fully** disbursed. Your first payment is due within 60 days after the **final** loan disbursement.

You'll pay both principal and the interest that accumulates. During periods of deferment and forbearance (postponements of loan payment—see pages 10 and 13 for a description of these terms), you pay either no or reduced principal, but interest will continue to accumulate. The unpaid principal will be capitalized (that is, added to your loan principal), unless you choose to pay the interest quarterly during your deferment or forbearance.

# How do I repay, and where do I send my payments?

You repay your loan using one of the three repayment options explained below. Your payments will go to the U.S. Department of Education's Direct Loan Servicing Center—you'll be given the address. A Center representative will always be available if you have any questions about repaying your loan. To contact the Center, see the inside front cover of this publication.

A choice of repayment options allows you to repay your loans in a way that best suits your financial circumstances. Your Servicing Center will send you information to help you decide which plan is right for you. You can also change repayment plans later if your circumstances change.

These are your repayme

These are your repayment plan options:

- The Standard Repayment Plan requires fixed monthly payments (at least \$50) over a fixed period of time (up to 10 years). The length of the repayment period depends on how much you've borrowed. This plan usually results in the lowest total interest paid because the repayment period is shorter than under the other plans.
- The Extended Repayment Plan allows loan repayment to be extended over a period from generally 12 to 30 years, depending on the total amount borrowed. You still pay a fixed amount each month (at least \$50), but the monthly payments usually will be less than under the Standard Repayment Plan. This may make repayment more manageable; however, usually you'll pay more in interest because the repayment period is longer.

➤ The Graduated Repayment **Plan** allows payments to start out low and increase every two years. Your monthly payments must be at least half of what you would pay under Standard Repayment. As in the Extended Repayment Plan, the repayment period will vary from generally 12 to 30 years, depending on the total amount borrowed. Again, monthly payments may be more manageable because they are lower, but usually you'll pay more interest because the repayment period is longer.

**Note:** You can prepay all or a portion of your loan at any time without penalty.

You'll receive more information on repayment options from your Direct Loan Servicing Center.

## Can I ever postpone my loan payments?

Yes, in some circumstances. You must contact the Direct Loan Servicing Center to request either a deferment or a forbearance, which are explained below.

#### **Deferment**

To qualify for deferment, **you** (not your child) must meet one of the following conditions:

- You must be enrolled at least half time in a program of study that meets the U.S. Department of Education's requirements for program eligibility. (You may not defer repayment while in a medical internship or residency program, except a residency program in dentistry.)
- You must be enrolled in a graduate fellowship program approved by the U.S. Department of Education.
- You must be enrolled in a rehabilitation training program for persons with disabilities that meets the U.S. Department of Education's requirements.

You may also be eligible for deferment for a period of up to three years if you are

- unemployed and seeking, but cannot find, full-time employment
- experiencing, or will experience, economic hardship (you can talk to the Servicing Center for more information on this deferment)

You may be eligible for additional deferments if, at the time you obtain a Direct Loan, you have an outstanding balance on an FFEL—that is, a Federal Stafford Loan, Guaranteed Student Loan, Federal Insured Student Loan, Federal PLUS Loan, Federal Supplemental Loan for Students, Auxiliary Loan to Assist Students, or Federal Consolidation Loan borrowed before July 1, 1993. The same deferments that apply to these FFELs can apply to your Direct Loan.

If you meet one of the deferment conditions, contact the Servicing Center and ask for the appropriate deferment form. You'll be asked for documentation to prove you meet the requirements for the deferment you're seeking. The deferment form will explain what information you must provide.

As mentioned earlier, you can choose not to pay any principal during deferment, but interest will be charged. You may choose to pay this interest or have it capitalized (added to your principal balance when the deferment ends).

#### **Forbearance**

If you're unable to make payments on your Direct Loan for reasons such as unexpected personal problems or poor health, you may request forbearance if you don't qualify for a deferment. During forbearance you don't have to make payments, or you can extend the time between payments, or you can make smaller payments than originally scheduled. As is true for deferments, if you choose not to pay the interest during the forbearance period, it will be capitalized (added to your loan principal when your forbearance ends).

You may also receive forbearance if you meet one of the following conditions:

- You serve in a medical or dental internship or residency.
- You serve in a position under the National and Community Service Trust Act of 1993.
- You are obligated to make federal student loan payments equal to, or greater than, 20 percent of your total monthly gross income. There is a threeyear limit for this forbearance.

Contact the Servicing Center to request forbearance. You'll be asked to provide documentation showing that you qualify.

## Can my loan ever be discharged (canceled)?

You can receive a discharge under these specific circumstances:

- You (or the student for whom you borrowed) die(s).
- You become totally and permanently disabled. A physician must certify total and permanent disability. Also, the condition can't have existed before you applied for a Direct PLUS Loan, unless a doctor certifies that the condition has substantially deteriorated since the loans were made.
- The student for whom you borrowed cannot complete a course of study because the school closed.
- The school falsely certified the eligibility of the student for whom you borrowed.
- You file for bankruptcy (in rare cases).

You apply for a discharge through your Servicing Center.

## Is there some way to combine my loans to make repayment easier?

Yes, you may want to consider a Federal Direct PLUS Consolidation Loan. Consolidation means you make only one monthly payment to cover all your loans, including Federal PLUS Loans under the FFEL Program. There may be several advantages for you if you consolidate. Because the interest rate is the same as under Direct PLUS Loans, you may be able to pay less interest than you're paying on your current loans. Also, you can choose a repayment plan that best suits your financial circumstances, and you may be able to reduce your monthly payments.

To receive a Direct PLUS Consolidation Loan, you must have an outstanding balance on a Direct PLUS Loan or a Federal PLUS Loan. If you don't already have a Direct Loan, you can consolidate your Federal PLUS Loan under Direct Loans only if you're unable to receive an FFEL consolidation loan. Also, you must not have an adverse credit history, or you must obtain an endorser for the loan who does not have an adverse credit history.

Direct PLUS Loan borrowers may consolidate the following loans into a Direct PLUS Consolidation Loan:

- Direct PLUS Loans
- other Direct PLUS Consolidation Loans
- > Federal Consolidation Loans
- > Federal PLUS Loans
- Parent Loans for Undergraduate Students (PLUS)

If you have Direct or FFEL student loans for yourself, you may also consolidate those under Direct Loans.

If you have any questions about Direct Loans, contact your Direct Loan Servicing Center.

.................

### **HOW TO REACH US**

Applicant Services/Loan Servicing (800) 848-0979

working hours are from 8 a.m. to 8:30 p.m. (EST) Monday-Friday

U.S. Department of Education Borrower Services Department Direct Loan Servicing Center P.O. Box 4609 Utica, NY 13504-4609 TDD: **(800) 848-0983**